Financial Results

Condensed Results

for the six months ended 30 June 2022

NEDBANK

Key Performance Highlights

Profit after Taxation
Up by **18.5%**

Non-interest Revenue
Up by **23.9%**

Deposits due to Customers
Growth of **10.4%**

Impairment of Advances
Down by **39.8%**

Financial Highlights

	% change YOY	Group 30 Jun 2022 (unaudited) N$'000	Group 30 Jun 2021 (unaudited) N$'000	Group 31 Dec 2021 (audited) N$'000
Loans and advances to customers	-1.8%	10 538 674	11 614 135	10 731 333
Total assets	**3.0%**	**21 791 928**	**21 156 476**	**21 520 310**
Total shareholder's equity and non-controlling interest	6.6%	2 762 763	2 591 307	**2 648 310**
Deposits due to customers	10.4%	12 421 366	11 254 990	**12 954 666**
Net interest income	-2.4%	358 006	366 831	**735 280**
Impairment of advances	-39.8%	22 167	36 833	**110 680**
Non-interest revenue	23.9%	199 183	160 789	**336 098**
Operating expenditure	3.2%	392 565	380 393	**752 968**
Profit after taxation	**18.5%**	**118 144**	**99 705**	**204 526**

Capital Adequacy

		Group		
Tier 1 Capital		1 863 995	1 576 072	**1 847 741**
Tier 2 Capital		338 863	329 266	**326 432**
Total Regulatory Capital		2 202 858	1 905 338	**2 174 173**
Tier 1 Risk-Based Capital Ratio	%	13.75	11.58	**14.15**
Tier 2 Risk-Based Capital Ratio	%	2.50	2.42	**2.50**
Total Risk-Weighted Capital Ratio	%	16.25	14.00	**16.65**
Tier 1 Leverage Ratio	%	7.98	7.05	**8.09**

Accounting Policies

The condensed consolidated financial statements of NedNamibia Holdings Limited and its subsidiaries ("the group") have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and the requirements of the Namibian Companies Act. These results have, however, not been audited nor independently reviewed for the six months ended 30 June 2022.

The same accounting policies, presentations and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the group's annual financial statements for the financial year ended 31 December 2021.

Financial Performance

Namibia's economic performance were better than expected in the first quarter of 2022 recording a growth of 5.3%. During this time our total clients grew by 10% compared to H1 in 2021. The Bank of Namibia hiked the interest rates by 100bps for the period ending 30 June 2022 with further increases expected during the latter part of the year. These increases continued to drive a lower demand for credit. During this reporting period Nedbank's gross loans and advances declined by 1.8% from December 2021 and as a result net interest income is down by 5.1% compared to H1 2021. Deposits to customers for the period ending 30 June 2022 showed strong growth of 10.4% driven by an increase in demand for liquidity by customers and thus the group noted an increase in short term deposits rather than longer term.

Headline earnings in H1 2022 increased by 18.5% from H1 2021 to N$ 118,1 million. Headline earnings growth benefited from significantly lower impairments and strong NIR. Impairments decreased from N$ 36,8 million at H1 2021 to N$ 22,1 million at H1 2022 because of better performance of the loan book and GDP growth forecasts improving from 2021. In addition our credit loss ratio decreased from 0.7% at H1 2021 to 0.4% at June 2022. NIR of N$ 199,1 million represented an increase of 23.9% compared to H1 2021 mainly due to transaction volumes and client activity that recovered, key account growth and better returns on foreign exchange related income.

The Group maintained a strong financial and liquidity position and remained well capitalised with a risk-weighted Capital Ratio of 16.3% well above the regulatory required minimum.

During the second half of the year our focus will be to continue managing operating expenses and growing our loans and advances and customer deposits. The group has secured a strong pipeline of loans and advances particularly in the Corporate and Investment Banking and Business Banking segments which will be realized. The group also expects growth from our revised vehicle finance offering to the market. Another key focus is on digitisation through our end-to-end digital client onboarding, continued investment in software and development and by introducing new digital channels. Optimising our funding profile and maintaining a strong liquidity position remain a priority for the group. We continue to use our financial expertise to do good and provide an excellent customer experience.

Going Concern

The condensed results have been prepared on the going concern basis. The directors are of the opinion that the Group has adequate resources in place to continue operations for the foreseeable future.

Economic Outlook

The outlook for the global economy deteriorated in the past half year. Downside risks to growth and trade have risen and continue to worsen as the effects of the Russia-Ukraine war and China's zero-Covid policy persist. High food, fuel, and fertiliser prices have pushed worldwide consumer and producer prices. Inflation has risen to 40-year highs in the large, industrialised economies and has also breached official target levels in developing economies. Financial conditions are tightening as the major central banks hike their policy interest rates and withdraw the significant liquidity injected over the past two years. Forecasts for the global economy have been revised lower, and the likelihood of a broad-based global slowdown has risen substantially.

The US Federal Reserve has accelerated the pace of its monetary policy tightening and will hike further as inflation remains sticky and the labour market tight. The European Central Bank commenced its tightening with a larger-than-expected 50 basis points hike in June, while the Bank of England will raise its policy interest rate further as UK inflation is elevated. Elsewhere, central banks have commenced the tightening cycle, even in economies with relatively low inflation.

Emerging market central banks will keep pace with rising global interest rates. The South African Reserve Bank has hiked its repo rate aggressively, responding to faster global monetary policy normalisation and a further rise in local inflation. The Bank of Namibia (BoN) has followed suit and will hike further. Nedbank forecasts the BoN's prime rate at 10.0% in December 2022 and 10.75% in December 2023. Namibia's inflation has risen to its highest level since July 2017 and is likely to breach 6% in the third quarter of this year and moderate slowly in 2023.

Economic growth in Southern Africa continues, albeit slower, following the reasonably firm rebound in 2021. South Africa's output momentum has been dampened by the structural damage from the floods in KwaZulu Natal and the intense power outages. Nedbank has revised its 2022 growth forecast to 1.8% from 2%. The Namibia economy has continued to show signs of recovery, as it benefits from the still favourable prices of its key exports. Nedbank projects real GDP growth at 2.8% in 2022. However, risks to economic growth tilted to the downside. Higher inflation and rising interest rates will dampen domestic demand while easing global demand could reduce export growth.

Appreciation

We sincerely appreciate the support and loyalty of our clients in giving us the opportunity to partner with them in business and in their financial and social well-being. We value, too, the contribution of our suppliers and business partners including the many people who guide our efforts in sustainable development. Satisfying client and operational needs and building on the momentum of 2021 has demanded great effort by our management and personnel, and is gratefully acknowledged, as is the constructive engagement we continue to enjoy with the regulatory authorities.

For and on behalf of the Board

SI Kankondi
Chairman

M Murorua
Managing Director

Windhoek, 29 August 2022